

Message Text

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ACTION ARA-14

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AMEMBASSY LIMA
AMEMBASSY MONTEVIDEO
AMCONSUL RIO DE JANEIRO
AMEMBASSY SANTIAGO
AMCONSUL SAO PAULO

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E.O. 11652: N/A
TAGS: PDIP, PBOR, EAID, ENRG, BR, AR, BL, CI
SUBJ: BOLIVIAN PRESIDENT BANZER'S VISIT TO BRAZIL

SUMMARY. FIVE DAY VISIT TO BRAZIL BY BOLIVIAN PRESIDENT BANZER ENDED ON AUGUST 17 WITH SIGNING OF SIX JOINT AGREEMENTS AND A DECLARATION, ALL DESIGNED TO INCREASE ECONOMIC AND POLITICAL COOPERATION BETWEEN THE TWO COUNTRIES. AFTER THREE YEARS OF INTERMITTENT NEGOTIATIONS, A NATURAL GAS AGREEMENT WAS SIGNED, ALTHOUGH PRESS PLAY SINCE VISIT HAS BEGUN TO CAST DOUBT ON ITS ECONOMIC VIABILITY. IN JOINT DECLARATION BRAZIL GAINED REAFFIRMATION OF BOLIVIAN SUPPORT FOR ITS AMAZON PACT PROPOSAL. BOLIVIAN DESIRE FOR BRAZILIAN SUPPORT IN OPENING TO SEA WAS MET WITH BRAZILIAN OFFER OF ACCESS TO ATLANTIC THROUGH BRAZIL, AND SUPPORT FOR PEACEFUL AND FAIR SETTLEMENT OF BOLIVIAN
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CLAIM FOR ACCESS TO PACIFIC. END SUMMARY.

1. FIVE DAY VISIT TO BRAZIL OF BOLIVIAN PRESIDENT HUGO BANZER ENDED AUGUST 17 WITH SIGNING OF SIX JOINT AGREEMENTS AND A DECLARATION, ALL DESIGNED TO INCREASE ECONOMIC AND POLITICAL COOPERATION BETWEEN THE TWO COUNTRIES. THE AGREEMENTS ARE :
A) A TREATY OF FRIENDSHIP, COOPERATION AND COMMERCE, WHICH

CREATES A BOLIVIAN-BRAZILIAN GENERAL COORDINATION COMMISSION;
B) AN ACCORD WHICH ESTABLISHES A MIXED COMMISSION ON ANIMAL
HEALTH; C) AN ACCORD WHICH PROVIDES FOR RECIPROCAL ASSISTANCE
IN THE REPRESSION OF ILLEGAL DRUG TRAFFIC; D) AN ACCORD WHICH
COMPLEMENTS A 1973 AGREEMENT FOR TECHNICAL COOPERATION IN
TELECOMMUNICATION AND POSTAL SERVICES; E) A NOTE PROVIDING FOR ENTRY
INTO FORCE OF A 1972 AGREEMENT FOR COOPERATION IN SANITATION
AND HEALTH, PARTICULARLY IN BORDER AND AMAZONIAN AREAS;
AND F) A NOTE COMPLEMENTING 1974 BRAZILIAN-BOLIVIAN COOPERATIVE
AGREEMENT (COBBET).

2. THE AGREEMENT RELATING TO COBBET PROVIDES FOR BRAZILIAN
PURCHASE OF 240 MILLION CUBIC FEET/DAY OF BOLIVIAN NATURAL GAS
(FROM SANTA CRUZ DE LA SIERRA FIELDS) OVER 20-YEAR PERIOD, AS
WELL AS BRAZILIAN CONSTRUCTION OF SANTA-CRUZ-CORUMBA GAS PIPELINE.
ACCORDING TO BRAZILIANS, PRICE OF GAS -- TO BE DETERMINED BEFORE
YEAR'S END BY PETROBRAS-YPFB NEGOTIATORS -- WILL BE NO HIGHER THAN
BOLIVIAN GAS CURRENTLY SUPPLIED TO ARGENTINA. AGREEMENT ALSO
COMMITTS BRAZIL TO PROVIDE FINANCIAL ASSISTANCE FOR PLANNED
900,000 TPY STEEL PLANT TO BE LOCATED IN SANTA CRUZ AREA AND
TO PURCHASE 410,000 TPY OF PLANT'S OUTPUT. ADDITIONALLY,
BRAZILIANS HAVE AGREED TO PURCHASE 100,000 TPY OF BOLIVIAN
UREA, HELP PROVIDE MARKETS FOR ANOTHER 100,000-200,000 TPY
OF UREA AND TO PURCHASE 500 TONS/DAY OF CEMENT. BOTH UREA
AND CEMENT WILL BE PRODUCED AT PROJECTED SANTA CRUZ PETROCHEMICAL
COMPLEX.

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3. IN A JOINT BRAZILIAN-BOLIVIAN DECLARATION, BRAZIL HAS
ADDITIONALLY AGREED TO:
- A DIRECT INVESTMENT OF US 10 MILLION DOLLARS IN DEVELOPMENT
OF SANTA CRUZ STEEL AND PETROCHEMICAL COMPLEX.
- TECHNICAL ASSISTANCE IN DEVELOPMENT OF SANTA CRUZ COMPLEX.
- ASSISTANCE IN RAILROAD CONSTRUCTION BETWEEN SANTA CRUZ AND
COCHABAMBA AND SANTA CRUZ AND PUERTO SUAREZ, WHICH WILL ULTIMATELY
CONTRIBUTE TO INTERCONNECTION OF BRAZILIAN AND BOLIVIAN RAIL
SYSTEMS.
- TWO LINES OF CREDIT (US 10 MILLION DOLLARS AND US 40 MILLION
DOLLARS) FOR A BOLIVIAN DEVELOPMENT FUND TO BE USED FOR
DEVELOPMENT OF ECONOMICALLY DEPRESSED AREAS.

4. THE JOINT DECLARATION ALSO MADE SPECIAL REFERENCE TO:
- THE PRINCIPLE OF PERMANENT AND INALIENABLE SOVEREIGNTY WHICH
STATES HAVE OVER THEIR NATURAL RESOURCES.
- BRAZIL'S SUPPORT OF A FRIENDLY AND FAIR SOLUTION TO BOLIVIA'S
QUEST FOR AN OUTLET TO THE SEA, COUPLED WITH BRAZIL'S OFFER
OF FREEDOM OF TRANSIT THROUGH BRAZIL TO THE PORTS OF BELEM,
PORTO VELHO, CORUMBA AND SANTOS FOR BOLIVIA.
- BOLIVIA'S SUPPORT FOR BRAZIL'S PROPOSAL FOR A MULTILATERAL

COOPERATION SYSTEM IN THE AMAZON REGION.

5. COMMENT. BOLIVIAN SUPPLY OF NATURAL GAS TO BRAZIL HAS BEEN DISCUSSED SINCE 1958. OVER THE LAST THREE YEARS, SINCE THE 1974 COCHABAMBA SIGNING OF BRAZILIAN-BOLIVIAN COOPERATIVE AGREEMENT (COBBET), NEGOTIATIONS BETWEEN THE TWO COUNTRIES HAVE INTENSIFIED. HOWEVER, UNTIL THE RECENT AUGUST 3-4 LA PAZ MEETING BETWEEN HIGH-LEVEL NEGOTIATING TEAMS FROM BOTH COUNTRIES WHICH APPARENTLY RESOLVED DIFFERENCES, EXCEPT FOR GAS PRICES, BRAZILIAN SOURCES HAD COMPLAINED OF INDECISION BY BOLIVIAN SIDE, BOTH REGARDING GAS PRICE AND SIZE OF PROPOSED STEEL PLANT. AT SAME TIME, PAST BRAZILIAN ATTITUDES TOWARD POSSIBLE AGREEMENT HAVE ALSO BEEN INDECISIVE.

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6. THE BRASILIA COBBET ACCORD REFLECTS BRAZIL'S CONTINUING DESIRE TO OBTAIN ASSURED, LONG-TERM SUPPLIES OF BOLIVIAN NATURAL GAS FOR DEVELOPMENT OF THE CORUMBA REGION - AND, CONCEIVABLY, EASTERN BRAZILIAN INDUSTRIAL CENTERS, IF LONG-DISCUSSED CORUMBA-SAO PAULO PIPELINE PROJECT WERE EVENTUALLY TO BE REVIVED. INDUSTRY SOURCES SUGGEST CAUTION, HOWEVER, REGARDING PACE OF ACTUAL IMPLEMENTATION OF GAS AGREEMENT, NOTING LONG TRACK RECORD OF INDECISION ON BOTH SIDES, BRAZIL'S CURRENT BUDGET SQUEEZE, AND BRAZILIAN QUESTIONS REGARDING BOLIVIA'S CAPACITY TO DELIVER SINCE EXTENT OF BOLIVIAN GAS RESERVES APPARENTLY IS NOT KNOWN.

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FM AMEMBASSY BRASILIA

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INFO AMEMBASSY ASUNCION

AMEMBASSY BUENOS AIRES
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7. PRESS REPORTS ON AUGUST 19 THREW EVEN MORE DOUBT ON THE VIABILITY OF THE GAS AGREEMENT. O ESTADO DE SAO PAULO STATED THAT BRAZILIAN PURCHASE OF THE GAS IS NOT TOTALLY CERTAIN BECAUSE BRAZIL IS CURRENTLY UNABLE TO INVEST ESTIMATED US 300-400 MILLION DOLLARS IN CONSTRUCTION OF A PIPELINE AND US 600-700 MILLION DOLLARS NECESSARY FOR CONSTRUCTION OF STEEL AND PETROCHEMICAL FACTORIES WHICH WOULD USE GAS, MAKING ITS PURCHASE ECONOMICALLY VIABLE.

8. BANZER VISIT APPEARS TO HAVE BEEN POLITICALLY SATISFYING TO BRAZIL BECAUSE IT PROVIDED A REAFFIRMATION OF BOLIVIAN SUPPORT FOR BRAZIL'S AMAZONIAN PACT CONCEPT AND OF BOLIVIA'S ACCEPTANCE OF PRINCIPLE OF NATIONAL SOVEREIGNTY OVER NATURAL RESOURCES (PARA 5). PRESS HERALDED AGREEMENTS AS ANOTHER STEP IN ADVANCING BRAZILIAN INTERESTS THROUGH DEVELOPMENT OF BILATERAL RELATION-
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SHIPS ON THE CONTINENT AT ARGENTINA'S EXPENSE.

9. BRAZILIAN PRESS COMMENTARY SUGGESTED THAT BANZER HAD INCREASED HIS PREIGE AT HOME AS A RESULT OF THE VISIT. BANZER'S EFFORTS TO BUILD SUPPORT FOR BOLVIAN OUTLET TO THE OCEAN PROBABLY WERE LESS THEN SATISFACTORY, HOWEVER. PRESS COM

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MENTARY PRIOR TO BANZER'S VISIT SAID THAT A PRINCIPAL AIM IN VISIT WOULD BE TO SECURE ACTIVE BRAZILIAN SUPPORT IN PURSUIT OF AN OCEAN PORT. BY VISIT'S END, HOWEVER, BANZER HAD LIMITED HIS PUBLIC COMMENT TO NEED FOR CHANGE IN ATTITUDES OF COUNTRIES WHICH HAVE EXTENSIVE COASTLINES AND WHICH REFUSE TO ALLOW AN OUTLET FOR THOSE WITHOUT ACCESS TO SEA. PUBLIC BRAZILIAN REACTION TO ISSUE, OUTSIDE OF STATEMENT IN THE JOINT DECLARATION, WAS LIMITED TO COMMENT BY FOREIGN MINISTER SILVEIRA WGI SAID BRAZIL MAINTAINS ITS TRADITIONAL POSITION OF PACIFIC AND NEGOTIATED SOLUTIONS. AT SAME TIME, BRAZILIAN PRESS SPECULATED THAT AUGUST 16 VISIT BY CHILEAN GENERAL HECTOR OROVCO TO BRAZIL WAS DESIGNED TO REMIND BRAZIL OF CHILE'S POSITION ON BOLVIAN CORRIDOR ISSUE. END COMMENT.
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Message Attributes

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